the MORTGAGE BANKER

OCTOBER 1951

Already the [illegible] U. S. [illegible] from the government [illegible] passage of the [illegible] defense housing legislation has placed in the hands of Raymond M. [illegible] Administrator, more vital decisions than [illegible] in the industry has ever had to make before. An estimated three out of four homes sold in the next 12 months will be affected.

this issue ★

BLUEPRINT FOR PEACE AND PROSPERITY AND WHAT WE WILL HAVE TO DO TO ACHIEVE THEM BOTH BY MARRINER S. ECCLES ★ GOVERNMENT FISCAL POLICIES AND THEIR SIGNIFICANCE

PRESIDENT'S *Column*

NEW MBA YEAR BEGINS

Our very successful and well-attended Annual Meeting in San Francisco is now a matter of history and we are well on our way in the beginning of a new MBA year. Our Chicago and Washington offices are ably staffed with alert leaders and personnel. Committee appointments have been offered, accepted and approved by our Board of Governors and important organizational meetings to get their work planned and started were held in San Francisco. Approval by the membership was given to add twelve Associate Governors to our Board of Governors and nominations will shortly be furnished so the new places can be promptly filled.

Our membership is at an all-time high and indications point to a continued growth. The financial position of our fine trade association is sound; and, although our new budget for this year is larger than ever before, our prospective income appears adequate under our present dues structure. I firmly believe the services provided our members are contributing in many ways toward a safe and profitable business operation. Your suggestions as to how you believe MBA can be improved for the benefit of its members are earnestly solicited.

Aubrey M Costa

President, Mortgage Bankers Association of America.

the MORTGAGE BANKER

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This Time, What To Do About

WAR DAMAGE INSURANCE

Opinion is strong for not doing the way it was before but give blanket coverage to everyone and spread the losses over the entire economy. But Congress may wait

AS NEARLY always happens, when the threat of danger lessens, it's only human nature to let your guard down some. That's what seems to have happened at the moment in the question of considering what to do this time about war damage insurance. Hearings have been held and the proposition has been explored from many angles. But whether something in the way of legislation will materialize is by no means sure.

Prompt passage of legislation along lines so broad that all homes, commercial structures and other facilities in the United States and its possessions are automatically indemnified by the Federal Government in case of war damage, without payment of insurance premiums, has been urged by George C. Johnson, President of The Dime Savings Bank of Brooklyn and others who have studied the matter.

"The only real solution to the problem—and it is an immediate problem —is for the Government to provide blanket indemnity for all war damage to property here at home, and, after the amount of any loss becomes known, to equitably distribute the cost over the entire economy. Congress should delay no further in passing a practical, workable law and putting it into effect immediately," said Mr. Johnson.

"Protection of our civilians and the national economy is our primary purpose in fighting a war. War knows no boundaries in this atomic age and a civilian and his property are almost as subject to loss as a soldier in the field. Therefore, monetary payment for civilian losses is just as much a part of a war's cost as munitions and maintenance of the military establishment.

"For this reason, in case it is necessary, every person in the nation should contribute to the cost of protecting civilian life and property should losses occur the same as they contributed to the military cost of the old-fashioned war in its limited battle zone. Furthermore, by a blanket type of indemnity, assumed by the Federal Government without payment of insurance premiums, untold millions of man-hours and dollars would be saved through avoiding the necessity of writing individual insurance policies. Of even more importance to the national economy is the fact that by an indemnification system, every property would be covered. This could never be achieved by insurance as such, because experience has shown that a relatively small proportion of the public will voluntarily buy insurance, no matter how small the premium."

$20 Million Dollar Fund

The legislation proposed by Elmer B. Staats, Assistant Director of the Bureau of the Budget, in a hearing before the Subcommittee on Securities, Insurance and Banking of the Senate Committee on Banking and Currency, would set up a $20,000,000,000 fund and a War Damage Administration to pay compensation for damage to private property and another $2,000,000,000 for damage to public property under an indemnification system. Provision is also made in the proposed War Disaster Act of 1951 for payment of benefits to dependents of civilians killed in war and to civilians who sustain war-caused injury.

Mr. Johnson said this represents the type of thinking during recent months by the banking and allied industries.

In World War II, the War Damage Corporation was formed as a branch of the Federal Government to provide real estate indemnity for losses incurred by enemy action within the United States and its possessions. Basically, it was a giant insurance company. Nominal premiums of $1-per-$1,000 were paid by property owners insured against loss.

The theory was that the premiums collected would create a fund sufficient to meet any anticipated losses. During its existence, War Damage Corporation collected a total of $256,000,000 in premiums. Damage by enemy action after the corporation was formed was negligible and little was paid out in claims. The $210,000,000 remaining after claim adjustment and administrative expense was turned over to the Treasury.

"There is a tremendous difference, however, between the situation in World War II and now. Because of the development of new weapons such as the atomic bomb and guided missiles, the potential war damage to our civilians and civilian economy is so great and so impossible of determination today that no plan such as followed by the War Damage Corporation in World War II will provide sufficient premium income to meet potential losses," Johnson declared and many in Congress think the same way.

"The Bureau of the Budget wisely recognizes this fact. The Assistant Director of the Bureau has told the Senate subcommittee that if insurance premiums were held low enough to be attractive, they might not cover losses, and if they were set sufficiently high to accumulate a substantial fund they might be prohibitive.

"In World War II, participation in war damage insurance was largely voluntary, although mortgage lenders in potentially dangerous target areas required mortgagors to protect properties through War Damage Corporation insurance.

"There was no one to require the individual or firm owning property free and clear to take out this protection, and very few did so. It is a fact well known by people experienced in the insurance field that the average individual will not buy insurance unless persuaded to do so by competent brokers or agents or required to by mortgagees having that right. In other words, insurance has to be sold

What's happening in the home building field? How are federal credit restrictions, rearmament and other factors affecting demand? America's leading producer of homes answers these significant questions in its Progress Report for the fiscal year ending June 30th.

National Homes Corporation Looks *FORWARD!*

BETWEEN July 1, 1950, and June 30, 1951, National Homes Corporation produced 11,111 single-unit dwellings—an all-time record. These were erected and sold by some 400 dealers at an average price of $7,500 for the 2-bedroom models and $8,500 for 3-bedroom (including lot). The American public invested *nearly one hundred million dollars* to live in our year's output of houses.

No other maker of prefabricated homes, no conventional builder, came close to that total. National Homes strengthened its position as undisputed leader in the housing field. What's back of this leadership?

Blueprint for Success

It took vision, courage, technical skill for National to pioneer the now famous "Thrift Home"—lowest-cost, quality home on the market. Starting with pre-engineering and mass purchasing, National streamlined its production and erection methods. Unforeseen "extras" were eliminated from the purchase price. The owner got possession in a few *weeks*, instead of waiting *months*. And he got the most house for his money.

Home-hunting families saw—compared—bought in ever-increasing numbers. This spring, National Home No. 30,000 rolled from the production line.

"X" Marked a Spot

Last October the government put into effect Regulation X, which drastically increased down payments on new homes. Its aim was anti-inflationary, though we have always felt that home buying is a counter influence to inflation.

National's answer to Regulation X was to re-style the entire line of homes, outside and in. New designs, new features were added. The "Thrift Home" became the "Super-Thrift" home. The new 1952 models were received with a wave of enthusiasm. While the building field lagged far behind the peak year of 1950, June was the third largest month in National Homes history.

National Homes come in an amazingly wide variety of designs and sizes, to suit every taste; harmonizing porches, breezeways and garages are available. Above is a beautiful example of National Homes' individuality.

What About the Future?

Despite the stringent credit restraints, our volume remains high. Regulation X hit hardest at top-bracket homes, driving many prospects into our price range; here they found to their surprise that they could get just the kind of home they wanted, at less than they'd expected to pay.

Defense area housing represents another large-volume potential for National Homes. During World War II we produced 7,500 houses for such areas. With our two strategically located plants we can turn out twice that number per year using only our present facilities; if needed, these operations can be expanded indefinitely almost overnight.

Good homes for workers and executives are vital to the rearmament program. Thousands of families will be drawn into communities already under-housed. Local builders, used to slow, costly, conventional methods, can't cope with such situations.

But National Homes has proved its ability to produce houses en masse, and in a hurry. Furthermore, these will be well built, livable, durable—a permanent contribution to better living wherever they are erected.

Write for Information

National Homes welcomes inquiries from financial institutions seeking a steady flow of sound investments.

A unique publication, "Your National Home Magazine," tells the complete story—64 pages, hundreds of illustrations, floor plans, facts about this miracle of modern housing. Regularly sold at 25 cents, a copy will be sent free to executives, when requested on business letterhead. Please send your request to Lafayette.

National Homes Corporation
Lafayette, Indiana
Eastern Plant: Horseheads, N. Y.

and that is impractical in connection with war damage. Principal reason is that there is no actuarial experience whatever on which rates can be determined.

"Despite the low premium rates prevailing in the plan followed during World War II, only 8,700,000 policies were issued for war damage insurance. Vast areas of the country which believed themselves immune to enemy action paid no attention to the idea.

"Today, that is all changed. The dropping of even one atomic bomb in a concentrated area would produce staggering losses. And because of long-range planes, guided missiles and other new weapons, this danger confronts every portion of the country, particularly since industry has been decentralized the way it has been.

"Also, the individual owning property free and clear is entitled to as much protection as the man with a mortgage who was required in World War II by his mortgagee to take out war damage insurance.

"Furthermore, there is the paradox of urging industry and defense workers to remain in vital defense production areas and requiring them to pay prohibitive insurance rates for protection of their plants, homes and lives. Those civilians who are most exposed to hazards of enemy action should not be required to assume an undue share of the burden of protection. This should be equally shared by every person in the nation just the same as any other cost of war is shared.

"Protection of our civilians and our national economy is the primary purpose in our fighting a war. What do we gain by winning a war on the battlefield, and yet lose that war in our civilian establishment?

"Suggestions have been made during Congressional hearings on various war damage bills that the Federal government assume liability for war damage and levy a general tax to defray the actual cost of any claims arising due to enemy action, AFTER such losses occur.

Let Insurance Men Do It

"Within the insurance industry itself, organization already exists capable of handling war damage claims. If and when losses due to enemy action occur, some procedure could be followed, such as setting up a valuation commission composed of local insurance brokers and agents in each community to pass upon the claims, compile necessary information and handle the required forms for a nominal fee. Here again, the Bureau of the Budget wisely recognizes there is machinery at hand, having told the Frear subcommittee that existing administrative organizations and systems should be used to the fullest extent possible so as to reduce costs, preserve flexibility and conserve manpower.

"Conservation of manpower is especially important in the over-all aspects of war damage indemnification. A preliminary estimate indicates that the personnel in the insurance department of every mortgage lending institution in the country would have to be doubled in size if it became necessary to write individual policies to protect mortgaged properties.

"In the case of The Dime Savings Bank of Brooklyn, for example, with approximately 65,000 mortgages, this would mean at least 27,000 more man-hours per year to prepare policies, card-index records, handle the thousands of endorsements covering changes in ownership and to perform the innumerable other accounting details necessary with an individual war damage policy on each property. For the nation as a whole, possibly four or five million man-hours per year would be required. This is a serious situation in an already short labor market, and it would be a substantial loss to the economy whether or not any war damage loss were incurred. And of course the foregoing figures apply only to mortgaged properties which lenders would require to be insured to protect themselves against. There would still be many millions of properties owned free and clear which would have no protection.

"America's only weakness, in relation to her potential enemies, is lack of manpower. Therefore, we must conserve manpower in every way possible—not waste it.

"Through blanket indemnification from the Federal government, obviating the necessity for individual insurance policies, untold millions of man-hours and dollars would be saved."

The Road to Take to PEACE AND PROSPERITY

A nation facing deep-rooted problems such as those confronting us now has some big sacrifices to make

By MARRINER S. ECCLES

THE mistakes of this century have been made at a time when we have witnessed the greatest technological and scientific progress in all history. Before World War I we imagined that we could live in a world apart, that we could have peace and prosperity at home while Western Europe engaged in a titanic struggle, the outcome of which we could look upon with a detached neutrality.

When, late in the day, it became clear to us that our own survival as a free nation might also be at stake we were willing to throw all we had into the battle under the slogan of making the world safe for democracy. Then we sank back into what we thought would be a period of comfortable "normalcy." We talked of an unending era of an easy peace and abundance. Virtually all the nations of the world solemnly outlawed war. So sure were we that the world had indeed been made safe for democracy that the democratic nations disarmed. The few men of vision, like Churchill, who warned of the gathering storm went unheeded.

The new era of prosperity collapsed with a suddenness and a completeness that few foresaw. Mr. Hoover complained, not without justification, that the Jeremiahs, the prophets of disaster, only appeared after the event. We were as bewildered by the causes of this greatest of all depressions as we were undecided what to do about it. The watchword of that day was "balance the budget and restore confidence," an empty and since exploded concept if ever there was one. When Hitler plunged the world into another vast conflict we were still a divided nation, preponderantly believing, or at least hoping, that we could again stand aside and have business as usual at home while most of the rest of the world fought to the finish. We had not even then learned how to conquer the problem of unemployment, how to distribute the abundance that our industrial, technological, as well as agricultural, skills could produce. There were some 10 millions seeking work while we were still at peace. Men spoke of the paradox of poverty in the midst of plenty. And today's paradox is that huge defense expenditures appear the only cure for mass unemployment and industrial stagnation.

The common fault and cause of these failures of the past lies not in our democratic institutions, not in our ability to produce and distribute goods, but in our thinking. The failure is not due, as yet, to insufficient material resources or to any lack of scientific and inventive genius in the world; it is due to our inability to deal with the basic causes of political and social upheavals abroad that lead to war, in which we inevitably become involved, and to our failures at home to find any answer, except war or preparation for war, to the problem of distributing our abundance which is so coveted by the communist world.

It is easy to blame our democratic, political institutions but the trouble lies not so much with these institutions as in our failure to adapt these institutions to the needs of the modern world. Our economic thinking has not kept pace with material and scientific progress. Our thinking about world problems still seems too unrealistic.

We are too prodigal in diverting our human and material resources to military preparations for war and defense, and too conservative about using them to alleviate human misery on which communism and aggression

Marriner S. Eccles was an important figure on the Washington scene from the earliest days of the New Deal. He's back home in Utah now and the capital has lost one of its most outspoken personalities. For years as a member of the Federal Reserve Board, then as its chairman and later as just a member, his ideas about credit and things fiscal had an important influence on what the nation did in these matters.

It isn't these matters, however, that concern him here but rather the underlying causes and reasons for many of the great and complex problems which face the free world today. Inflation, and the great potential dangers which he believes will likely flow from it, alarm him greatly; but here he tells what, in his opinion, are even greater problems the world must meet and solve. One is overpopulation—just about everywhere. Another is how man's products and services can be better distributed so that this expanding population can have them.

He professes to see, as many others do, a growing cynicism in the world and particularly among young people. Certainly there must be a revival of faith in many things if something like the kind of life we have known in the past is going to return. So many in our own field—and every other as well—become so interested in affairs of the moment that the larger long-term problems often become obscured. Mr. Eccles' opinions will point some of them up for us.

Back in his home state, Mr. Eccles was recently named chairman of the First Security Corp. He lives in Salt Lake City, has wide interests in construction, sugar, insurance, hotels and other industries.

both feed. After World War II, as after World War I, the democratic nations were in a position to establish the foundations for a durable peace and they have failed miserably to do so. The paradoxes are paradoxes only because we have not been able to think and then act intelligently in the light of experience and the cold facts of realities in the world today.

We won't solve them wisely unless we think about them more realistically than we have during the past few decades. Some years ago I was asked whether I did not believe that public officials should have more time to think, and in reply I said:

"I have known a good many men who think they think but who, for the most part, are merely echoing opinions or prejudices they have heard over the luncheon table or with which they have grown up. Or they parrot the customary talk of the trade or occupation they happen to be in.

"In Government particularly those in positions of great responsibility ought to have a comprehensive understanding not merely of their own department or specialty, but of the entire economic and political scene at home and abroad if they are to make intelligent policy decisions. Few men in public life have anything like a global view of affairs.

"It is not enough just to organize one's time in order to be free to think. You have to know how to think, how to assemble and relate facts, which are so often elusive. And then if the thinking is to amount to anything, there must be character and courage, the willingness to make decisions and to make enemies, and to face inevitable opposition."

There is a growing cynicism in the world today, especially among the young people—cynicism resulting from the human failures which have led to the tragic conditions existing throughout the world. I noted in a recent New York Times book review the comment that some contemporary authors contend that "life has no discernible direction or purpose, that ideals are illusions, that common values have disappeared, and that a sensitive person is bound to be destroyed or corrupted in a modern society in which common values have disappeared." Having frankly admitted that our generation has made many mistakes, I still say from my own personal experience that life has both discernible direction and purpose, that ideals are not illusions, that common values have not disappeared, and that a sensitive person need not be destroyed or corrupted by modern society. Those of us who view the present and future with cynicism must strive to regain a proper perspective. We must not let the events of the moment obscure the illustrious record of the progress of civilization. We must not, as Tennyson once wrote, let "the hills of time shut out the mountains of eternity."

"Two basic causes of world conflict—rapidly growing population and consequent inadequacy of the means of production and distribution necessary to feed and clothe such numbers of people—must be dealt with realistically in many areas of the earth if peace is to be established and maintained. Misguided idealism must not be allowed to obscure the need for hard-headed realism in dealing with the basic causes of war."

—Marriner S. Eccles

Notwithstanding our mistakes our nation has flourished and our free enterprise system of democracy has provided us with by far the highest standard of living of any nation on earth. Unlike some countries where the rich have been getting richer and the poor have been poorer, our own development during the past two decades has been just the opposite. We have gone far toward bringing about a more equitable distribution, than was the case 20 years ago, of the goods and services which we as a nation can produce. In 1929 the highest 5 per cent of all income recipients obtained 34 per cent of the total national income, while, at the present time, they receive but 18 per cent of the total. Meanwhile the share of total income received by those in the lower income classes has increased proportionately. This means that we have in the years since 1929, accomplished one of the great social revolutions of history, a revolution that has developed gradually and has been, and will continue to be of great benefit to our entire nation.

The fact that such a redistribution of income has been effected without social unrest and upheaval or dislocation of our productive activities is in itself an eloquent testimonial to our economic, social, and political institutions.

While recognizing and paying tribute to the advantages of our type of society, we must not lose sight of its shortcomings and failures, particularly in its relationship to other nations of the world. We have talked loudly in foreign capitals about the advantages of democratic capitalism, but we have failed to convince our foreign listeners by our action.

In Iran, China, Korea, Indo-China and elsewhere we and the other countries of the Western World have failed singularly to provide the tangible benefits of democratic capitalism that would have averted the spread of communism. Instead, we have given our blessing and backing to reactionary governments that lack the confidence and support of the people.

We have failed to realize that a large part of the world is in a state of economic revolution which we view as communist inspired and try to buy off with dollars or settle through war. We must recognize that the communists can only exploit the conditions that will continue to exist unless we ourselves, in our foreign policy, deal with the underlying causes of world-wide revolution. As Supreme Court Justice Douglas has said:

"American foreign policy never has been addressed to the conditions under which these revolutions flourish. We send technical experts to help in seed selection, soil conservation, malaria controls and the like. But we never raise our voices for reforms of the vicious tenancy system . . . under which increased production works to the benefit of a few. We talk about democracy and justice, and at the same time we support regimes in those countries whose object is to keep both democracy and justice out of reach of the peasants for all time."

Democratic capitalism, if it is to survive, must hold its own against communism, by works rather than by words, in the undeveloped backward areas of the world. Talking alone will not win many converts to the democratic cause—only by bringing them the tangible benefits of increased agricultural and industrial production, more efficient methods of distribution, and greater equality of income can we expect the underprivileged masses of the world to forsake the glittering but never fulfilled promises of communism.

Those who complain that the cost of such a program would be exorbitant must remember that we never hesitate to spend for war or defense whatever may be necessary, but we become relatively tight-fisted in our civilian expenditures for maintaining the peace of the world. This country alone spent over 400 billion dollars to win World War II, and is now embarked on a defense program that will cost 50 to 60 billion dollars a year for an indefinite period of time. Yet, wars never solve any of the world's problems, but only accentuate them.

Will the world never learn, before it is too late, to use the resources that are wasted on war or defense against war for the benefit of the people of the world in an effort to eradicate the basic causes of war and the need for defense?

In addition to finding ways and means for sharing the material benefits as well as the ideals of democracy with the other nations of the world, we must face up to what is perhaps the most fundamental problem of all —over-population. As biologist, Julian Huxley, has said "human population is probably the greatest problem of our time . . . we need a positive population policy for the world as a whole and for each of the nations in it. Such a population policy will be in the highest degree moral, in stressing the wickedness of allowing future generations to be born in increasing misery and permitting the entire race to suffer genetic degeneration."

We cannot hope to improve the lot of the common man in China, India or any of the other over-crowded and under-developed nations of the world if the only check on the number of their inhabitants is the availability of food. Even Japan and Italy, despite their intensive agricultural and industrial development, could fall prey to communist penetration and eventual domination if the pressure of their expanding populations on their limited resources are permitted to result in continued deterioration of the standard of living of their people. The existence of large masses of people subsisting at starvation levels is an open invitation to revolution and communism, since most people will try to fight their way out of a bad situation before they will willingly starve to death.

Such improvements in the standard of living as the democratic system of production and distribution of the western world might provide, would, in the absence of a positive population policy, quickly be dissipated among the rapidly increasing numbers of people. Even in our own country we may well be facing in time a serious problem of over-population if our present rate of population growth continues. At that rate the United States alone would have, within 150 years, more people than the present population of the entire earth.

"We have failed to realize that a large part of the world is in a state of economic revolution which we view as communist-inspired and try to buy off with dollars or settle through war. We must recognize that the communists can only exploit the conditions that will continue to exist unless we ourselves, in our foreign policy, deal with the underlying causes of world-wide revolution."

—Marriner S. Eccles

The two basic causes of world conflict—rapidly growing population and consequent inadequacy of the means of production and distribution necessary to feed and clothe such numbers of people—must be dealt with realistically in many areas of the earth if peace is to be established and maintained. Misguided idealism must not be allowed to obscure the need for hard-headed realism in dealing with the basic causes of war. While we have adapted the laws of nature to serve our own ends in the realm of the physical sciences, we have chosen to ignore or neglect such adaptation in the social sciences.

Two years ago I said that "it has seemed with increasing clarity to me that the best way to avoid ultimate war, the best hope of peace in our time, is to confront the Soviets with the decisions which will lay the foundations and the conditions of lasting peace while we have the strength to do so."

By now it has become fairly obvious that we did procrastinate and did postpone getting a satisfactory settlement with Russia while we had the opportunity, a settlement that would have brought about a condition of peace in the world. Instead of enforcing the conditions of peace when we had the military strength through our monopoly of the atomic bomb to do so, we have until only recently allowed our own strength to decline while that of Russia and her satellites has grown.

Since we failed in the past to remedy the basic causes of world conflict, or to enforce the conditions of peace, we find ourselves today confronted with an immediate and pressing need for providing more adequate national defense in an effort to forestall the outbreak of another world war. However, we must recognize the fact that our defense preparedness program is at best a temporary and transitional solution—a means of deterring war while we strive for achievement of a more permanent solution of the fundamental problems that lead to war.

Another global war would mean total war with atomic and all other weapons of destruction, and likely could not be won by anyone; on the contrary, it might well lead to the destruction of civilization itself. I believe that the people of the world, including the Russian masses, are against war, because modern war places every man, woman, and child in the front line of battle, exposing them to suffering and hardship beyond the limits of human endurance. Warfare today has obliterated the meaning of space and time—land distances and ocean barriers no longer afford protection; the whole earth has been encompassed into a relatively small neighborhood. We must not, therefore, allow ourselves to think of war as inevitable, for, to quote from a recent editorial, "out of another war would come such an abomination of destruction and annihilation, such a desolate aftermath of woe and upheaval, such sorrow and revulsion everywhere that the only happy people would be the dead people."

We must be resolute in our determination to prevent war; we must design and carry out a defense preparedness and foreign aid program which will deter the Russian leaders from starting a third World War. In doing so we must choose our strategy and weapons of defense carefully with an eye upon their cost as well as their effectiveness, in order that we do not destroy the very system our program is designed to protect. This can hap-

(Continued on page 15, column 1)

WILL THE PRESENT FISCAL POLICIES BE CONTINUED?

In all likelihood they will and certainly as long as inflationary pressures threaten says this economist in his analysis of what has brought about these new conditions

By ROY L. REIERSON

OUR new credit policy exemplified by the unpegging of government bonds and the subsequent decline in bond prices has contributed to a tightening of lending policies, with the most obvious effects in municipal and real estate financing. There have been no troublesome results either for the conduct of Treasury operations or for financial institutions. Thus the points of view advanced by the proponents of a more restrictive Federal Reserve policy have so far been generally vindicated.

A more fundamental question is the extent to which developments in the field of credit policy were *responsible* for the abatement of inflation that has been evident throughout much of 1951. The most realistic conclusion is that many factors have contributed to the recent easing of inflationary pressures; that credit policies operated in this direction and doubtless made some contribution; but that the underlying causes are to be found *elsewhere* in the economy.

The inflationary boom of a year ago originated in the shock to consumer and business psychology resulting from the outbreak of hostilities in Korea, coupled with the fear that the war might develop into a world-wide conflagration. A great wave of scare buying swept the economy; the government stepped up its stockpiling operations; businessmen sought to increase their inventories and to accelerate plant expansion programs; and consumers scrambled for goods of all kinds.

The economic environment underwent an important change. The lag in the defense program and the tremendous productive capacity of American industry enabled the industrial machine to meet the greatly increased demands of consumers and, at the same time, build up record business inventories.

The military progress in Korea, coupled with the failure of Russia to take further aggressive action, contributed to a calmer appraisal of international prospects, and the war-fever gradually subsided. Good crop prospects resulted in an easing of prices of many agricultural products. The imposition of price controls also restrained the advance of some prices.

Gradually it became evident that the defense program presently contemplated would still leave substantial amounts of goods available for the civilian market. All these circumstances have contributed to a change in business and consumer psychology, to a leveling off of commodity prices, and to a good deal of uncertainty regarding business prospects.

It must now be recognized that restrictive credit policy is *not* the major factor responsible for the change in commodity prices in 1951. General credit policy has been merely one of a number of factors tending to tighten lending and to curb credit expansion.

Consumer spending sagged and personal savings rose sharply in the second quarter of the year, but the change in interest rates probably had little or nothing to do with it. If any credit measure contributed significantly to this end, it was probably the regulation of consumer credit. While Regulation W has not caused any important downturn in the amount of consumer credit outstanding, it may have helped to prevent the increase that might otherwise have occurred. The change in the war news, the subsidence of scare buying, and a normal reaction of consumers to the earlier overbuying probably were the main factors responsible for lower consumer spending and higher personal savings in recent months.

Business outlays likewise have *not* been visibly affected by the higher levels of interest rates. Volume of business spending for plant and equipment is at record levels. There may be a few instances in which business managements are deferring expansion plans, but whether this is due to lack of available financing on satisfactory terms or to other causes is a moot point.

In residential building the lack of financing has unquestionably resulted in the postponement, for the time being at least, of a number of projects, and a similar situation may prevail in the case of public improvement programs. The economic consequences of

If credit policies are applied with sufficient vigor, they can crack almost any boom, says Mr. Reierson. But stern measures—if they're too stern, that is, if the medicine is too strong—can also usher in deflation, depression, failures, unemployment. That's been proved from past experience. Nothing like that is on the horizon at the moment, according to Mr. Reierson; in fact, he rather thinks that the advocates of doing what has been done have so far been vindicated. Mr. Reierson is vice president of the Bankers Trust Company in New York and has appeared on MBA Clinic programs in recent years speaking on interest rates and fiscal policies.

lower levels of building and construction will be felt in growing measure in the future; as yet the demands for labor and materials as a result of projects already under way are still relatively strong.

It is apparent then that many other forces have been operating in the same general direction as the credit policy of the Federal Reserve System, and have increased the effectiveness of that policy. It may well be that the restrictive credit policies of the past months have strengthened and assisted the other forces in the economy which have dampened inflation. Such credit policies contribute to a more careful and cautious appraisal of the economic outlook, and thereby facilitate the task of dealing with inflationary pressures.

Consequently, although credit policies may have only marginal effects in helping to shape the course of economic events, this does not mean that their contribution is negligible. In a free market economy, most economic forces operate through these marginal decisions, and the cumulative effect of a large number of marginal decisions may be impressive.

Viewed in perspective, the unpegging of government bond prices is the latest in a series of steps by which some of the shackles imposed on credit policy during World War II have been relaxed. In 1945, the Federal Reserve Board took a firm stand against the unpegging even of short-term interest rates, and documented its point of view with a formidable presentation of the dangers inherent in such a step.

Sentiment changed with the passage of time, and in 1947 both the Treasury bill and certificate rates were unfrozen and thereafter allowed to rise. In the latter part of 1947, the support of long-term government bonds became a problem for the first time since the adoption of the price support policy during World War II. While support prices on long-term bonds were reduced in December 1947, the Federal Reserve was not then willing to see bond prices drop even as low as par and, in order to safeguard against the development of any untoward results, embarked upon an aggressive support program at the time support prices were lowered.

Between 1948 and 1951 progress was made in eliminating the sanctity of par in the case of some of the shorter term issues. But it was not until this year that the Federal Reserve authorities, after years of careful study of the problem, believed that conditions warranted a firm stand in favor of allowing long-term government bonds to decline below par.

It is apparent that a substantial change has taken place since the end of World War II in the willingness of the Federal Reserve authorities to employ a restrictive general credit policy involving higher interest rates. The recent change in credit policy has *not* been a radical one; the present phase of Federal Reserve policy places strong reliance upon the subtle distinction between a rigidly pegged market for government bonds and a flexible policy of occasional support. In a market determined largely by the portfolio policies of large institutional investors, this distinction is certainly important. A basic question which cannot be answered as yet is whether a policy of general credit restraint involving moderate increases in interest rates can be kept effective unless rates are increased repeatedly.

So far, the new Federal Reserve policy has been greatly aided in exercising restrictions upon lending institutions by the shock of a novel situation. It may well be that the salutary results of the change in Federal Reserve policy are based upon a unique constellation of circumstances not likely to be repeated. For years, many financial institutions had been operating on the general assumption that support policies would continue without significant change and that the liquidity of government securities was substantially assured for an indefinite period ahead. They had not adequately covered their commitments by cash and short-term securities, and thus felt the pressure of declining security prices very keenly when Governments were unpegged.

Over a period of time the financial institutions will undoubtedly adjust themselves to the current level of interest rates. A policy of spaced maturities, for example, would gradually enable financial institutions to lighten their government portfolios without loss by allowing their maturing obligations to run off. Portfolio managers, directors and trustees will eventually lose their aversion to taking a capital loss on the sale of government securi-

ties if other investments are available at sufficiently attractive returns. Thus another rate increase of modest proportions in an already unpegged market might be less effective in the future than the increase that accompanied the rather spectacular act of unpegging. If the monetary authorities should desire to keep lending institutions under pressure, they may eventually have to acquiesce to a further and substantial tightening of interest rates.

Consequently, the true significance of the unpegging of government bond prices and the resulting greater flexibility of action available to the Federal Reserve System will become apparent *only when the economy experiences a resurgence of inflationary pressures.* The developments of the recent past demonstrate that the Federal Reserve authorities feel there is a real place in our economic system for the use of general credit policy; confronted with such conditions, they would very likely attempt to make greater use of their powers of general credit restraint than has been possible in the past decade. The uses of restrictive credit policies of all kinds are fraught with many difficulties and the pursuit of a progressively tighter general credit policy would very likely meet formidable obstacles.

There is little doubt that *if credit policies are applied with sufficient vigor they can crack almost any boom.* However, past experience has repeatedly demonstrated that an almost inevitable consequence of such stern measures is an economic reaction which brings about deflation, depression, business failures and unemployment. This is strong medicine indeed, and there are many who question whether the cure is not as bad as the malady. Severely restrictive credit policies are doubly questionable in a defense economy, where the goal is to attain maximum production with a minimum of economic dislocation.

Even a credit policy involving merely moderate rate increases, if continued, is likely to meet increasing opposition. Although the recent adjustment of interest rates has not complicated the Treasury's refunding operations, the prospect of a protracted and indefinite rise might create more serious problems and might well prompt a renewal of Treasury resistance to such policies.

Another important barrier to the development even of moderately effective credit restraint is provided by political opposition. The past decade of full employment has probably reduced the willingness of the public to accept any credit policy that might have a measurably restrictive effect upon employment and business activity. In the case of selective credit controls, the Congress recently limited the power of the Federal Reserve authorities to restrict consumer credit, and a similar move has just been made relaxing the controls on real estate financing.

General measures of credit restraint are perhaps less vulnerable politically, partly because lenders cannot point to a specific regulation of the monetary authorities in turning down a loan. But should general credit policies be so drastically applied as to reduce substantially the amount of credit available to business, it is likely that political resentment would become equally vehement. Apparently the public prefers inflation to deflation and readily available credit to scarce credit; these predilections have an important bearing on the use of credit restraint in our politically-minded economy.

The salient factors that will determine the future course of our economy, and hence the problems which the Federal Reserve authorities will be called upon to face, are largely in the realm of speculation: the attitude and action of Russia in the future; the reaction of the public to Russian moves; the size and character of our military program; the future action of Congress on price control, taxes and Government spending; the policy of the Administration on prices, wages and a host of other matters. Hence, we do not know whether the current relief from spiraling prices is a temporary phenomenon which will be succeeded by a reappearance of inflationary pressures with the anticipated growth in the defense program, or whether the tremendous productive capacity of the country is sufficient to permit the support of the defense program without too much interference with the civilian economy.

Should inflationary symptoms continue to subside, the monetary authorities may be expected to refrain from

any further tightening of credit controls. If we have another international crisis of major proportions, a further big expansion in our military program, and a consequent revival of virulent inflationary pressures, resort would in all probability be had to comprehensive economic controls rather than to a general credit policy of drastic proportions. This might well ease the problems of the monetary authorities; the role of direct economic controls would be enhanced, while the place of credit policy would be reduced.

The most difficult problems for the monetary authorities would be posed by a reappearance of the chronic and persistent inflationary pressures without the sobering accompaniment of a critical international situation. Only the future will reveal whether the monetary authorities would then be able to continue their postwar program in the direction of a more aggressive use of general credit policies. While there are many good reasons why credit control measures should be used when inflationary pressures reappear, it would be unwise to pin exaggerated expectations on their individual or collective efficacy in coping with a deep-seated inflationary boom.

SUMNER H. SLICHTER'S IDEA OF CREDIT POLICY—"Tight credit policies should be maintained, and individuals and corporations should be encouraged to reduce their indebtedness. Tight credit policies will be particularly important during the next year, while the increase in defense output will exceed the rise in the national product.

"Certainly a period when demand tends to exceed the capacity of industry is no time for the banks to be expanding the money supply, and yet the banks will be doing just that if their loans and investments expand.

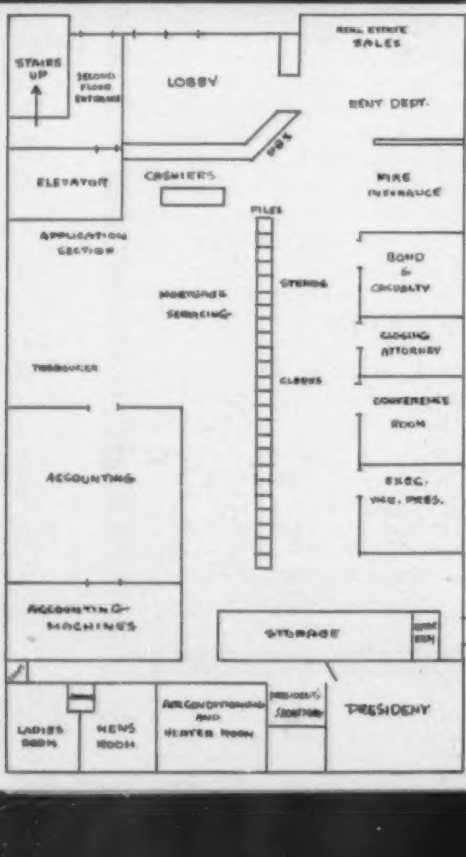
"It is particularly desirable that the controls of consumer credit not be relaxed, for this is no time for individuals to be spending more than their income. Some people argue that restraints on consumer credit are unfair to persons with small incomes. There is no reason, however, why some persons of small income should be permitted to bid up the prices that govern their own cost of living and the cost of living of everyone else, including other recipients of small incomes.

"And yet that is what they would tend to do, if permitted to buy goods with borrowed money."

Exterior of the new Bisbee-Baldwin Building constructed for firm's own use. Design is modernistic.

This Florida Firm Couldn't Find the Space It Needed So Constructed Its Own Building

Another in a series of modern mortgage office designs



THE trend of many mortgage companies, cramped for space because of expanding volume, to construct their own buildings, is again illustrated by the new quarters of the Bisbee-Baldwin Corporation of Jacksonville, Fla. As has been seen in other companies over the country in this series on mortgage office layouts, the new Bisbee-Baldwin quarters provide for a ground floor location.

Like other companies, the firm expanded rapidly during the post-war years. Their allied operations, insurance, real estate sales and development, and property management, also found more space necessary. Quarters on the eleventh floor of a bank building were "bulging at the seams," even after a section of the accounting department moved to another floor. Consideration was given to leasing several locations, but no adequate space could be found.

Late in 1950, the firm decided to build. A corner lot on the fringe of the downtown business district in a block already occupied by ten other real estate, mortgage loan and insurance concerns was selected. The section had come to be known locally as "Real Estate Row" and had developed into a mortgage loan, real estate and insurance center which the public seeks for these services. The firm's new location is adjacent to a parking lot providing for these facilities. Situated between one-way "In" and one-way "Out" streets to the heart of the downtown business area, it has advantageous advertising space with three-way exposures to main traffic arteries.

Floor plan showing arrangement on various departments. Note accessibility of files. Above, interior view.

Construction began in December, 1950 and the firm moved in 5½ months later.

In planning, emphasis was placed on a functional layout to enable comfortable working space for each of the operations, with some provision for future expansion.

The building is two stories of modern design, masonry and brick construction with air conditioning and oil heat. The ground floor is approximately 4,800 square feet. The second floor has a separate entrance and elevator service. The lobby entrance is surrounded by a counter, back of which the cashiers and receptionist and PBX operator are situated. Immediately to the rear of the counter activities, are those operations—real estate sales, property management, mortgage servicing, mortgage applications and insurance—which have the heaviest volume of office customer calls.

Accounting machines, addressograph and mimeograph are in a solid wall enclosed, sound-proof room, connecting with the accounting department, which is in a semi-sound proof, glass enclosed office adjacent to mortgage servicing.

An interesting innovation in storage—always in demand by the accounting department—is the cupboard type cabinets utilizing the usually dead space above file cabinets. The firm used filing cabinets to partition the various operations in the functional sections, providing for efficient flow of work and also placing the files convenient to the users. A conference room adjoins the closing attorney's office which is used as a closing room. A ladies' lounge room is on the second floor.

Since moving to the ground floor location, the firm has noticed a more even flow of counter payments relieving some of the congestion of early morning, noon hour and pre-closing hour rushes at the counter.

The second floor is now leased to tenants until needed for the firm's operations and the income received reduces building operation costs.

PEACE AND PROSPERITY

(Continued from page 9)

pen by permitting further deterioration in the purchasing power of the dollar and weakening our defenses by squandering our resources of manpower and materials.

This means a program which we are able and willing to pay for currently, since it must be sustainable for an indefinite period of time. The Kremlin's hope, of course, is that through our failure to control inflation we will accomplish the destruction of our own economic and political system and make the communist conquest of the United States both cheap and easy, just as inflation paved the way for Hitler's rise to power in Germany. From a political standpoint, inflation that leads to economic bankruptcy is the most powerful instrument of communist infiltration.

In order to utilize our resources of manpower and material most effectively we should rely primarily upon overwhelming control of the air and the sea for the purpose of deterring communist aggression, and we should conserve our manpower for use where it is most effective.

We can defeat ourselves by cynicism, by faintheartedness, and by failure to think clearly and boldly. We can succeed if we will have the courage, the character, the unconquerable spirit and the vision which inspired the forefathers of our nation. In the founding of their nation and the extension of its frontiers, our people overcame obstacles which loomed quite as large then as those with which we are confronted now.

MBA EVENTS IN 1952

January, 1952: Sixth annual Senior Executives Course sponsored by MBA with the Graduate School of Business Administration of New York University.

February 14-15: Middle Western Mortgage Conference, Drake Hotel, Chicago.

April 14-15: Eastern Mortgage Conference, Hotel Commodore, New York.

June 16-20: Fifth Annual Mortgage Banking Seminar, Northwestern University, Chicago.

June 23-25: Second Advanced Mortgage Banking Seminar, Northwestern University, Chicago.

September 30, October 1-3: 39th Annual Convention, Stevens Hotel, Chicago.

PERSONNEL

SEEKS CONNECTION

Mortgage man seeks change of location from present employer in Denver, to Los Angeles or vicinity. Trained evaluation residential properties. Experienced origination all types construction, FHA, VA, conventional loans; and in offering and assignment to insurance companies, banks, FNMA, and individuals. Experienced servicing, insurance, bookkeeping and production end mortgage business. Attended recent American Institute of Real Estate Appraisers course. WWII veteran, 3½ years service Marines, emphasizing personnel and administrative duties. Attended MBA conventions and clinics. References furnished. Write Box 230, Mortgage Bankers Association of America, 111 W. Washington Street, Chicago 2.

We're A Nation Of
HOME OWNERS

But the urge to own a home varies in different sections of the country and from year to year as a study of recently released census figures shows

THE desire to own a home isn't quite the same in every part of the country which, in the end, means that mortgage lenders in some areas do not have quite the same potential amount of business to go after as in certain other sections.

Studies made by the Bureau of the Census on the housing characteristics of the nation's metropolitan areas with populations of 250,000 or more show the breadth of the boom in home ownership in the last decade and the extent that every section of the country participated in it.

These figures show, among other things, that the home ownership crown shifted from the Minnesota-Wisconsin area to Ohio between 1940 and 1950. Last year's census showed two cities in the Buckeye State with the greatest percentage of owner-occupied homes. They were the steel city of Youngstown, with owners living in 70 per cent of the community's occupied dwelling units, and the tire center of Akron with an owner-occupancy ratio of 69 per cent. Their 1940 ratios were 55 and 53 per cent, respectively.

The Duluth (Minn.)-Superior (Wis.) metropolitan area, which led the nation in owner occupancy in 1940, was in third place in the 1950 Census with an owner-occupancy ratio of 66 per cent versus 56 per cent in 1940.

The most spectacular gain of all was shown by the Philadelphia metropolitan district, which comprises Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties in Pennsylvania, and Burlington, Camden and Gloucester Counties in New Jersey. In 1950 the Philadelphia district moved up into fourth place with an owner-occupancy ratio of 65 per cent, as against 17th place and 44 per cent in 1940.

In all, the Bureau of the Census has issued reports for 47 of the nation's 57 metropolitan districts. Of this number, a total of 28 equalled or exceeded the national average of 55 per cent for owner-occupied homes in 1950, a far better showing than in 1940.

The nation's two biggest cities, New York and Chicago, are down at the bottom of the list of owner-occupied homes. This rating was true in 1940 as well, but both areas showed significant gains in home ownership in the last decade in common with the trend in the rest of the nation.

The New York-Northeastern New Jersey metropolitan district had the lowest proportion of owner-occupied homes with a ratio of 31 per cent in 1950. This, however, was substantially above the ratio of 24 per cent in 1940. The New York-Northeastern New Jersey metropolitan district consists of New York City and Nassau, Suffolk, Westchester, and Rockland Counties in New York, and Bergen, Essex, Hudson, Middlesex, Morris, Passaic, Somerset, and Union Counties in New Jersey.

The second lowest was the Hartford, Conn., metropolitan district with an owner-occupancy ratio of 40 per cent in 1950 as compared with 33 per cent in 1940. Chicago was third from the bottom with a ratio of 42 per cent as compared with 32 per cent in 1940, and the Boston area was fourth lowest with 44 per cent last year as compared with 35 per cent in 1940. Among the nation's other leading metropolitan centers, Detroit was sixth highest with an owner-occupancy ratio of 64 per cent in 1950 as compared with 46 per cent in 1940, and Los Angeles was about one-third of the way down from the top with a ratio of 56 per cent as compared with 40 per cent in 1940.

Wide variations are likewise found in the median valuation of single family homes as between one metropolitan area and another. The national median for such dwellings last year was $7,400. As against this, single family homes in Hartford had a median valuation of $13,407, the highest on the list. Second was Cleveland with a median of $13,221, and the New York-Northeastern New Jersey district was third with $12,387. Others with single family homes having a median valuation of $10,000 or more included Chicago, Milwaukee, Los Angeles, Syracuse, Boston, Cincinnati, Providence, Rochester, and San Francisco-Oakland.

HOME OWNERSHIP STANDING

The following table gives the home ownership standing of selected metropolitan areas in 1950 and 1940, and the median valuations of single family homes last year:

Location	Owner Occupied (a) 1950	Owner Occupied (a) 1940	Valuation of One-Dwelling Units
Total United States	55%	44%	$ 7,400
Youngstown	70	55	7,661
Akron	69	53	8,272
Duluth-Superior	66	56	6,090
Philadelphia	65	44	8,191
Omaha	64	49	7,065
Detroit	64	46	9,379
Portland, Ore.	64	55	7,515
Seattle	62	51	8,692
Rochester	61	47	10,429
Kansas City, Mo.	60	41	6,782
Dallas	59	39	7,308
Minneapolis-St. Paul	59	47	9,246
Pittsburgh	57	41	8,112
Los Angeles	56	40	10,132
Denver	55	42	9,473
Baltimore	55	44	7,820
Richmond	53	39	7,707
Miami	52	41	8,998
Louisville	52	42	7,303
Milwaukee	49	37	11,907
Cincinnati	49	40	10,468
St. Louis	48	38	7,920
Providence	45	37	10,481
Boston	44	35	10,226
Chicago	42	32	11,383
Hartford	40	33	13,407
New York-Northeastern N. J.	31	24	12,387

(a) Percentage of occupied dwelling units
Source: U. S. Bureau of the Census

Notations in a Notebook

On purchase-lease as against buying, on quitting work and what you do with your time, on how you save the money to do it, on life insurance company investments, etc.

»» CHEAPER TO LEASE: Developments in income tax law have reversed one of the basic rules of American business, says Commerce Clearing House. Now, in many operations, it is actually more advantageous dollar-wise to lease rather than to own land on which a business is located.

Two main reasons for this are cited:

»» The full amount of rent paid for a leased site is deductible, while the cost of land, if it is owned, may not be depreciated for income tax purposes, and

»» Amortization for improvements on rented land is fully deductible, while the depreciation on improvements on land owned is often subject to opinion differences with the Bureau of Internal Revenue and may lead to litigation.

This is the situation that has lead to purchase-lease for many large merchandising organizations, particularly the chain stores. The survey shows that most of the chain stores now lease their branch stores, but are equally divided in leasing or owning their warehouses, while a minority lease their plants and factories. *(For the latest report on purchase-lease see Edward Auer's article in the August 1951 issue of* THE MORTGAGE BANKER.*)*

This trend is developing as income tax experience discounts the old belief that it is more economical for a business to purchase its real estate and have a permanent investment than to pay in rent as much or more than the initial cost of the land and end up with nothing but rent receipts.

The CCH review says this belief was sound before the era of high income taxes, and declares: "Now, a substantial part of every dollar paid out in rent would be paid, if the property were owned, in income taxes. . . . If the object of the business is to earn a profit, the claim cannot stand up against the cold dollars-and-cents tax advantage of leasing."

This tax advantage increases as tax rates rise into the higher brackets, and where the excess profits tax is applicable, the "advantage is very substantial." Also, under the lease plan, the business avoids the capital investment necessary to land ownership. However, the substantial security which "real estate owned" once added to balance sheets is erased.

One point brought out, if the business now owns its real estate, is that the tax advantage may be augmented by the sale-and-lease-back arrangement. This is true if the real estate has increased in value since purchase or has been entirely or largely depreciated for income tax purposes.

The advantage results from paying only a limited capital gains tax on profit from the sale, while the rent is 100 per cent deductible, annually.

Another benefit may be gained should a business build on leased property. The Bureau rules that if the term of the lease is less than the estimated life of the improvement, the cost of these improvements, unless renewal is indicated, may be amortized over the period of the original term. A case in point is a 30-year lease made by a chain store. The firm wrecked the old building, fully depreciated, and erected its own building. Now, it can deduct the full amount of rent, annually, and will recover the cost of the structure by depreciating its new building over the 30 years, which is less than half the life of the building, according to Bureau estimates.

A favorable factor in negotiating a lease, CCH notes, is that under present tax law, the value of tenant-erected improvements is disregarded in taxing the landlord when the property is turned over to him at the end of the lease. He is, of course, taxed for capital gains if he sells at a profit over his original investment.

»» ABOUT RETIRING: The changing character of Mr. Average American Business Man—if there is any actual change underway—can be seen from the varying attitudes toward retirement in the different age groups. Northwestern National Life Insurance Company made a survey among male policyholders which turned up some surprising conclusions about this business of quitting work when you reach a certain age and what you do when you quit.

Only one out of four likes the idea of retiring to a life of complete leisure when he grows old.

Three out of four want either to keep on working at their present jobs, or at least to "do something useful."

Of the 3,000 men covered in the survey, only 24 per cent want a life of ease when they reach retirement age; 39 per cent want to be financially able to cut their working hours or shift into some lighter occupation, while 37 per cent would keep right on working at their present jobs if permitted, and would only fall back on a retirement income when physically or mentally unable to hold their jobs.

Retiring appeals to more of the younger men—28 per cent of those under 40 said they would like complete freedom from work when they reach retirement age. Only 23 per cent of those aged 40-49 want complete retirement, and of those in the 50-59 bracket—only 20 per cent want complete leisure while 45 per cent would like to keep on at their present job as long as they can. The remaining 35 per cent of the older men would like to ease up a bit, or move to some lighter occupation or money-making hobby, but they still want to be useful.

According to Northwestern National, the survey indicates that a modest supplementary retirement income would fulfill the future desires of most Americans. But the fact needs to be faced, the company adds, that many who don't want to retire may have to do so when the time comes, because of inability to maintain the necessary pace. That suggests, the company states, that flexibility instead of the usual rigidity is a vital need in the retirement income program of the average man. This would permit retirement income pay-

ments to be "turned on" earlier if needed.

Approximately half of those in the survey who want partial retirement would use some of their increased leisure for community service such as general charity work, religious work, Boy or Girl Scout work, child welfare activities, etc., the survey showed.

Among the part-time money-making activities planned for retirement years, small-scale farming is the most popular objective; operating some form of small business, a few tourist cabins perhaps, is the next most frequently named plan.

Hunting and fishing are by far and away the favorite hobbies the full-retirement advocates look forward to; next come gardening, wood-working and photography. Three out of four plan to travel a bit when they retire; four out of five of these future travelers want to do their sightseeing in the U. S.; one out of five hopes to do some foreign travel. After retirement, twice as many would prefer to live in the country than the city.

>> RETIRING NOT EASY: But before you can retire, you've got to have the wherewithal to do it—and that's tough these days. Today's $25,000-a-year executive has only $10,125 left in 1939 dollars after taxes; high taxes and inflation have whittled the $50,000-a-year executive down to less than 16 thousand 1939 dollars. In 1940 they "took home" $22,000 and $35,000, respectively.

After keeping up with the scale of living required by his job, there is little or nothing left to save for retirement income and family income. To have income at age 65 equal to half his present take-home pay, a 50-year-old executive must now save more than 46 per cent of his annual take-home pay.

In a new study, the staff of Business Reports, Inc. has analyzed what more than 100 companies have done to meet this problem.

Corporate employers have as large a stake as their executives in finding a solution to this problem, since many crack executives, particularly on the second level, have discovered they can build more wealth and family security as successful local dealers than as vice-presidents. New executive pay plans are being developed, therefore, to attract and hold experienced men and to focus on company operations much mental energy now devoted to family financial worries.

According to Business Reports, money put into a qualified pension plan will give an executive two-thirds more retirement income than the same amount paid to him in salary and saved by him in an annuity contract. Likewise, the same money applied to a deferred pay contract with his company will give him one-third more retirement take-home pay than savings out of current salary.

The study points out that, although an executive runs inflation risks when he accepts a fixed amount of dollars payable upon his retirement or death, the risk can be hedged by stock options which permit him to ride with, rather than against, inflationary trends. The advantages are shown by these figures:

	1939	1951
Value of Dollar	$ 1.00	$ .542
Dow-Jones Industrial Average	142.66	243.95
Moody's Yield on Industrials	3.9%	6.79%

If an executive had an option to acquire stock at the 1939 Dow-Jones level, he would have about the same percentage gain on the stock as his percentage loss on the dollar. If he had exercised his option to buy the stock at the 1939 Dow-Jones level, the 1951 dividend level on that stock would give him a yield of 11.6 per cent on his investment. Thus, by matching the size of a stock option against the dollar value of future income, the executive can be given a reasonable inflation hedge.

Many companies, according to the study, are now taking advantage of a new provision of the 1950 tax law under which they may issue stock options and the executive may acquire stock without tax liability. These stock option plans may vary, depending on whether the objective is to give the executive a bargain investment and attractive dividend yield, or a chance to realize capital gains on company stock.

>> BUY LOTS OF LOANS: Mortgage financing by life companies continued large in the first six months of this year with $2,915 million mortgages acquired, half again as much as in the first half of 1950. This year's aggregate was largely from commitments made before Regulation X.

Nearly $11 billion of new investments in mortgages and securities were made by the nation's life insurance companies during the first six months of the year, the Institute of Life Insurance reported.

The total of $10,812 million compared with $4,740 million in the like 1950 period and brought the holdings as of June 30 to $59,985 million.

The large new aggregate was due in part to the volume of refundings and replacements. The industry exchanged about $3 billion of marketable long-term 2½ per cent bonds for the new 2¾ per cent non-marketables issued last spring as part of the Treasury-Federal Reserve Board accord on Government monetary policy.

In spite of the New York state liberalization permitting certain common stock investments by life companies, stocks acquired in the first half of this year totaled only $138 million, compared with $274 million during the year-earlier period.

Nearly $1,500 million of real estate was held by life insurance companies in the country on June 30.

The amount was nearly double the dollar value of holdings of this type at the end of 1945.

The total of $1,499 million included $27 million farm property, $368 million company-used property, $357 million rental housing, $707 million commercial rentals and $40 million of other classification.

The amount increased $100 million, including $60 million in commercial rentals, during the first six months of the year and $23 million in June alone, of which $10 million was in commercial rentals.

The Builders Who Build The Houses

The industry is one with a lot of small operators

THE boom in home construction this time created something which had been widely contended was needed in the industry—the big time operator, the builder who could put hundreds of houses under construction, cut his cost and offer the buyer more. It created a lot of these but home building still remains a field with a great many small-time operators.

More than a fourth of all privately financed nonfarm dwellings started in the United States in 1949 were built by non-professionals—persons who built houses for their own families, acting as their own general contractors, and in some cases doing part of the construction themselves.

Units started by operative builders comprised about a half of the homes started during this period. Dwellings started by general contractors in 1949 —built to order or for promoters planning to sell or rent—made up the remaining fifth of starts.

These facts are from a new HHFA survey, first of its kind ever conducted on a nation-wide basis. It is based on interviews in spring of 1951 with about 12,000 builders throughout the country.

What They Built in 1949

Preliminary results disclosed that the 988,880 privately financed nonfarm dwellings started in the U. S. in 1949 were built by 400,000 firms and individuals, only 120,000 of whom were commercially engaged in the residential building industry.

Owner-builders numbered 270,000. Their operations were particularly significant outside of metropolitan areas where they comprised three-fourths of the builders and erected 60 per cent of the dwellings. While some of the owner-builders no doubt were journeymen or special trade contractors, they were not engaged during 1949 in providing completed dwelling units commercially for others. For a small group of builders, the type of operation was not disclosed.

Bona fide residential building firms —building for sale or rent or on contract—accounted in 1949 for 70 per cent of the private housing activity, or nearly 700,000 units. In metropolitan areas, these firms were relatively more numerous and accounted for a much larger proportion of the new dwellings than in smaller places. Over 80 per cent of the dwelling units in big city areas were put up by these builders, contrasted with 40 per cent in the rest of the country.

The 1949 residential construction industry was composed largely of small firms: Ninety per cent of the 1949 residential building firms started less than 10 dwelling units each during the year (apartments as well as single-family houses), but they were responsible for only a third of the 700,000 units started by the industry. Almost half (46 per cent) started only 1 house each and accounted for only 8 per cent of the industry volume. Many of the small firms were active for only part of the year, or did residential building as a sideline.

In contrast, a small fraction of the builders (about 1,000, and less than 1 per cent of the total) began at least 100 units each in 1949, or a third of all the dwellings started by residential building firms. About 300 of them each started 250 units or more, and this very small group was responsible for 20 per cent of the industry's total. Practically all of the largest builders (100 or more units) were located in metropolitan areas, where most large-scale housing operations took place.

The great majority of the residential builders confined themselves either to operative building or to general contracting. These two groups of firms were about equal in number. Only 7 per cent engaged in both types of activity.

Most of the large 1949 residential building firms (100 or more starts) were operative builders, who also made up a great majority of the medium-sized firms as well (starting 25-99 units). Operative builders were responsible for 60 per cent of the industry's 1949 housing activity, exclusive of owner building. Most of them were located in metropolitan areas. Even in non-metropolitan areas where custom builders predominate, the operative group accounted for half the starts.

Three Starts a Year

The operations of general contractors (those who build to order for owners or promoters) in new residential building were generally small, with an average of about 3 housing starts during the year. Some of the general contractors also did other types of building not covered in the survey, such as new non-residential building and alteration and repair work. General contractors were relatively more numerous and accounted for a larger proportion of housing activity in non-metropolitan than in metropolitan areas.

General contractors comprised a majority of all 1-house firms in 1949, and a substantial portion of the 2-9 house builders (more than a third). Their participation dropped sharply in size ranges above this. Nevertheless, there were some general contractors who started 100 dwelling units or more during the year. These firms held contracts for undertaking projects for "promoters," who do no actual building themselves, but provide the land, designs, and specifications, and handle the sales and rentals.

The relatively small group of firms doing both operative building and general contracting were much larger on the average than firms in the other two groups. They averaged thirteen dwelling unit starts per firm in 1949 and accounted for about one in six of the new dwellings.

TITLE COMPANIES TELL STORY ON AIR AND TV

A radio series of interest to MBA members is being released by Lawyers Title Insurance Corporation for broadcast in about 100 cities beginning in early October.

It consists of 26 human interest stories narrated by Norman Brokenshire. Each story is 3½ minutes long and presents a title-loss story adapted from claim files. The stories are long on human interest and are devoid of any firm name. The purpose is public education, entertainingly presented.

The entire production gives the local sponsor an opportunity to present a 5 minute program of network quality at a cost of no more than the radio station's local time rate. Lawyers Title branches and agents in nearly 100 markets have already ordered the series for broadcast in their home cities.

Lawyers Title plans to make the entire series available to mortgage bankers who are interested in sponsoring interesting stories about real estate. Comprehensive fact sheets on the entire series may be obtained by writing to the Richmond, Virginia home office of Lawyers Title.

And in Chicago, something new in television has hit the TV waves with the Chicago Symphony Chamber Orchestra, under the baton of Rafael Kubelik, on the air. The program is sponsored by Chicago Title and Trust Company, which has broadcast the Chicago Symphony for the past six seasons.

WHAT IS AVERAGE RENT?

Back in the good old days (1900), the housewife spent out of each consumer dollar 45c for food, 14c for clothing, 6c for fuel-gas and electricity, 14c for rent, and 21c for all other expenditures. In 1950, she spent 35c for food, 13c for clothing, 3c for fuel-gas and electricity, 11c for rent, and 38c for all other expenditures.

In a survey made recently and reported in *Armstrong News Letter*, it was found that in new rental housing completed between July and December 1949 in New York City, the average monthly rental paid in 7,350 dwelling units sampled averaged $110, the median annual family income was $5,160, there was an average of 2.7 persons per family, and the rent-income ratio was 24 per cent.

Of the units constructed, 3 per cent were of less than two rooms in size, 10 per cent were two rooms, 54 per cent three rooms, 27 per cent four rooms, 5 per cent five rooms, and 1 per cent six rooms and over. Ninety eight per cent of the structures contained five or more families. Interestingly, 76 per cent of the units had rentals ranging from $70 to $120.

In some other cities, the average rental in new units was as follows:

Atlanta	$ 59
Boston	103
Chicago	92
Cleveland	89
Dallas	89
Denver	94
Detroit	87
Los Angeles	77
Miami	120
Pittsburgh	100
San Francisco	100
Seattle	82
Washington, D. C.	87
Overall Average:	93
Family Income:	4,630
Rent-income Ratio:	22%

AS BUSINESS LOOKS NOW

Inflation remains the nation's No. 1 problem is the third-quarter appraisal of Dr. Marcus Nadler of NYU and MBA's senior executives course staff.

"The business pattern will be marked by a high level of business activity, accompanied by full employment, growing national income and continued inflationary pressure.

"Many lines of business are complaining of hard times and fearful of a further decline in business activity," Dr. Nadler stated, "but as long as the rearmament program and capital expenditures of present magnitude continue, business is bound to be good."

Dr. Nadler contends that business during the next year will be subjected to three strains: "(1) rapidly growing military expenditures, (2) increased capital outlays by corporations, and (3) the expanded purchasing power these programs will generate, which in turn will lead to an increase in disposable income and hence to a great demand for consumer's goods."

He thinks that "unless ways and means are found to curb inflation" the economic and social consequences "will be more serious than is generally envisaged by the public at large."

NOT VERY SERIOUS

They tell a story of a big mortgage man who called in his first vice-president the other day.

"Bill," he said, "I want the truth. Have you ever fooled around with my secretary after hours?"

"Well, er, yes," the other confessed, "I have."

"Okay," said the boss, "you can go."

The second vice-president answered the question the same way. So did the third vice-president.

Finally the company's treasurer came in. When asked this question he replied, "Heck, no. I don't even think she's attractive."

"You're my man," the tycoon beamed. "You fire her."

Some politicians were having dinner in Washington after which they were going to discuss the future plans of their party. When the last course had been cleared away they noticed that the waiter took a station near the door.

"Will you please leave the room?" asked the host. "We want to discuss something private."

"I'm sorry, but I can't," replied the waiter courteously.

"Look here!" thundered the first man, "Leave the room, I say!"

"Excuse me, sir" said the waiter. He drew himself up stiffly and met with a cold eye that of the host whose repartee and invective had lashed most of the leading politicians of the country. "Excuse me, sir, but I have to stay. The management holds me responsible for the silver."

—*Wall Street Journal*

Three old maids went for a walk just before retiring one evening. Returning home one stepped into her bedroom and exclaimed, "Oh, girls, someone's been trying my bed."

The second Old Maid glanced into her room and exclaimed, "Girls, someone's also tried my bed."

The third Old Maid looked into her room, then stood in the doorway and whispered, "Goodnight, girls."

—*Northwestern Banker*

The screen door had inadvertently been left open all morning, and the young couple were busily swatting flies.

"How many did you get?" the wife asked, pausing for a moment.

"Eight," answered the husband. "Four males and four females."

"Four males and — what?" she exclaimed. "How could you tell the males from the females?"

"Easiest thing in the world," grinned her husband. "Four were on the sugar bowl—and four on the mirror."

The draft board doctor was examining a prospective recruit.

"Read that chart," he commanded.

"What chart?" asked the draftee.

"That's right," said the Doc, "there isn't any chart. You're in, boy!"

"We are adding thousands upon thousands . . ."

FRANK M. FOLSOM
President, Radio Corporation of America

"By a simple person-to-person canvass, we are adding thousands upon thousands of serious savers to our Payroll Savings Plan. Our employees are eager to contribute to the strengthening of America's defenses while they build their own security. They know that individual saving initiative means a blow at ruinous inflation. They know that is the line on which all of us at home can make our strongest fight."

"Thirty days has September." And every one of these September days is a D Day. In newspapers . . . magazines . . . over the radio . . . from the television screen . . . on billboards . . . contributed advertising will urge every American to "Make today your D Day. Buy U.S. Defense Bonds."

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If you have a Payroll Savings Plan and your employee participation is less than 50% . . . or if you have not made a person-to-person canvass recently—consider this *your* "D" Day.

Phone, wire or write to Savings Bond Division, U. S. Treasury Department, Suite 700, Washington Building, Washington, D. C. Your State Director will show you how easy it is to increase your employee participation to 70%, 80%—even 90%—by a simple person-to-person canvass that places an application blank in the hands of every employee. He will furnish you with application blanks, promotional material, practical suggestions and all the personal assistance you may desire.

Your employees, like those of the Radio Corporation of America and many other companies will join by the hundreds or thousands because they, too, are eager to contribute to the strengthening of America's defenses while they build their own security. Make it very easy for them—through the automatic Payroll Savings Plan.